

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

EXHIBIT

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21-cv-00260-PB

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In the Matter of:)

) File No. B-03221-A

LBRY)

WITNESS: Jeremy Kauffman

PAGES: 1 through 357

PLACE: Securities and Exchange Commission

New York Regional Office

200 Vesey Street, 4th Floor

New York, New York 10281

DATE: Thursday, June 13, 2019

The above-entitled matter came on for a hearing,
pursuant to notice, at 9:10 a.m.

Diversified Reporting Services, Inc.

(202) 467-9200

1 Q And so LBRY published what?

2 A Well, for example, one of our -- one
3 item that we used a lot in testing was the film,
4 "It's a Wonderful Life". So that would be an
5 example of something that we published.

6 Q Did LBRY charge for users to download
7 "It's a Wonderful Life"?

8 A I believe that was free.

9 MR. VITO: And if someone wanted
10 to publish content at that point in time,
11 did they need to use LBRY credits?

12 THE WITNESS: Yes, publishing
13 always costs a small amount of token.

14 MR. VITO: How much?

15 THE WITNESS: Set by market
16 rates.

17 MR. VITO: So how does free
18 content become available?

19 THE WITNESS: The publisher has
20 to perform the publish, and then it's
21 available.

22 MR. VITO: I understand. So
23 even free content, somebody has to pay to
24 put free content on the network?

25 THE WITNESS: Yes. So that cost

1 is frequently less than a penny.

2 BY MR. MOORES:

3 Q When you say "market rates", that's
4 going to be some --

5 A The transaction --

6 Q -- fraction of a penny?

7 A It's the transaction fee.

8 Q What was the transaction fee?

9 A Transaction fee is what you pay for a
10 miner to accept your transaction.

11 Q And what is that today?

12 A I believe -- so transaction fees are
13 dependent on the size of the transaction, but for
14 a typical publish -- and publishers can vary in
15 size, depending on how much metadata you're
16 submitting to the blockchain. But a typical
17 average publish is probably going to cost you
18 today something like 100th of an LBC. So 100th
19 of an LBC times whatever you paid for it would be
20 the cost of performing a publish.

21 MR. VITO: Has that changed
22 significantly over time?

23 THE WITNESS: It probably has
24 changed a little bit over time, but our
25 blockchain has never become so congested

1 that fees skyrocketed or anything like
2 that, because that's what causes the prices
3 to go up.

4 MR. VITO: So what would cause
5 the price to go up would be if a lot of
6 people are trying to publish at once?

7 THE WITNESS: If too many people
8 were trying to publish at the same time,
9 that would cause fees to go up.

10 MR. VITO: And then -- so let's
11 say on one given day, there were a ton of
12 people that wanted to publish, the fees
13 would go up that day; but then the next
14 day, if nobody wanted to publish, the fees
15 would be low again?

16 THE WITNESS: Exactly. But the
17 fees is going to stay low until you cross a
18 threshold. So no one publishing and
19 hundreds of people publishing is going to
20 be the same price.

21 MR. VITO: What's the threshold?

22 THE WITNESS: It would be
23 variable, depending on the -- on the size
24 of the publishers, but our blocks are two
25 megabytes every two and-a-half minutes.